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# **Factors underlying farm diversification: The case of Western Australia's olive farmers**

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## **Abstract**

The growth of niche markets in rural industries has been one response to the restructuring of established agricultural industries in developed countries. In some cases entry into niche markets is part of a diversification of activities from other areas of farm-based production or services. In other cases, operators have sought to diversify from niche market production into other areas, such as on-site selling and agritourism. This paper outlines the findings of an exploratory qualitative study of the factors that olive farmers in Western Australia take into account when considering diversification, with a special focus on diversification into servicing visitors in the form of on-site selling and agritourism. Face-to-face and telephone interviews were conducted among 23 small olive growing operations located in the main olive growing region of Western Australia. Decision-making is shown to involve an assessment of risk, which is shaped by their appraisal of economic conditions, market opportunities, access to resources (including labour) and lifestyle factors. The argument is made that a fuller understanding of diversification is gained by studying both those who seek to diversify and those who do not, in contrast to most previous research that has only focussed on those who diversify. Also argued is that diversification is best seen as a continuum of adjustment strategies, which is guided by a combination of economic need, risk assessment (based largely on resource access), market potential and lifestyle factors.

**Keywords:** Farm diversification, Olive growers, Agritourism, Western Australia.

## Introduction

Global restructuring, including improved production methods and free trade, together with changing consumer trends, has led to profound changes in rural economies (Mascarenhas 2001), particularly for small farmers. One consequence of these shifts has been a greater interest in new agricultural niche markets (Tonts and Selwood 2003). However, one of the risks involved in niche markets is that they can quickly suffer the problem of oversupply as a result of increasing competition within markets both locally and internationally (Gasson 1988). Consequently, this issue often results in a situation where those involved in niche industries feel the need to diversify as a means to maximise their chances of economic survival (Fraser 2006). The decision to diversify, however, involves a certain amount of risk, and farmers must consider a variety of factors when making such a decision.

Olive farming in Australia is a case of a niche market where farmers have sought to diversify *into* from other markets (such as wine production). Olive farming is also a market where farmers have sought to diversify *from* to incorporate other activities such as agritourism. While still a young industry, olive growing has also been developing for a number of years in Australia (Reichelt and Burr 1997), and it is now considered an emerging industry (Kailis and Sweeney 2002). By and large, as is the case of Australia's wine industry, olive groves are in the majority of cases composed of small operations, ranging between a few hundred to 20,000 trees. According to the Australian Bureau of Statistics (2008), in 2007 there were approximately 400 olive growers in Australia, with 2.7 million trees producing approximately 57,000 tonnes of olive oil.

Despite the progress of Australia's olive industry, imports still dominate the domestic olive growing industry (Australian Olive Association Ltd 2008). Furthermore, the expansion of olive farms in recent years has seen the introduction of increasing local competition, particularly from large commercialised operations. Coupled with competition from overseas imports, small olive growers are being forced to have to compete in a much tighter market. In this context, the potential to derive additional income from servicing or even accommodating visitors on-site is an option that some olive farmers are pursuing. Not all farmers, however, are choosing to diversify. While there is evidence that some farmers diversify when negative circumstances occur within their industry (Fraser 2006), the question of why some farmers choose *not* to diversify while others do remains a largely unexplored issue in the literature. Instead, the focus of much previous research has been solely on the factors leading farmers to diversify without much attention paid to those who do not. Such an approach, it can be argued, only provides one side of the story.

This study seeks to explore the issues that olive farmers predominantly located in the rural region of Gingin to the north of Perth, Western Australia, consider when deciding whether or not to diversify. In this study diversification will refer to the expansion of activities not only to other areas of farm production, but also beyond production, such as on-site selling, tour groups, conferences, training, education programs and cafeterias, with a particular focus on expansion into on-site selling. The study also examines the way that for some operators olive farming is itself a diversification activity from other primary areas of production, such as grape growing or agritourism. The findings demonstrate that olive farmers base their decision to diversify on four main issues: the need to diversify in the face of economic pressures; the opportunity to capitalise on diversification through their access to appropriate resources; perceived potential for market growth; and lifestyle preferences. Those who choose not to diversify are usually lacking in one or more of these factors, and therefore

perceive the economic/lifestyle costs and/or risks involved in diversification to be too great. These factors are revealed through a dual focus on farmers who choose to diversify and those who choose not to diversify, with some factors more apparent in one group than the other due to the way some matters (such as lifestyle preferences) are taken for granted by those who choose to diversify.

## **Farm diversification**

The term “farm diversification”, although variously defined in the research literature (Ilbery 1988), is mostly used to refer to the inclusion of “non-traditional farm enterprises” (Bowler and Ilbery 1999, p.130). Farm diversification refers to the expansion of basic crop production to activities that would normally be regarded as supplemental. This term includes mixed farming, value-added activities such as processing, marketing and sales, and introducing new enterprises outside food production such as farm tourism (Ilbery 1988, p.183). In addition, farm diversification may include off-farm activities (pluriactivity), although this is sometimes excluded from the category of farm diversification given that it involves diversification beyond the farm (Bowler and Ilbery 1999, p.130).

Farm diversification has been seen as a response to rural restructuring in the face of changes in the global economy (Kelly and Ilbery 1995). A small body of research exists on the factors that lead farm owners to diversify. McNally (2001) notes that “for a given market opportunity, farmers will differ in their ability and incentive to engage in diversification activities” (p.248). She argues that policy-makers need to keep these issues in mind when promoting diversification as a panacea to economic change.

Much of the research on farm diversification has been quantitative based, and has focussed on factors leading to diversification among those who have already made the choice to diversify. The studies typically highlight internal factors (those relating to farm households) and external factors (the wider physical and socio-economic context). For example, in their study of diversification amongst Welsh farmers, Bateman and Ray (1994) hold that farm size, farm type, and the education and ethnicity of the owner are important variables, as too is the geographical location of farms. This finding is consistent with Ilbery et al.’s (1997) contention that diversification is a result of internal and external factors.

The identification of factors underlying farm diversification is certainly useful for understanding variations in diversification trends, but it is not as useful in illuminating the factors that farm owners themselves take into account when making the decision to diversify. For example, the education and ethnicity of the owner is not a decision-making factor. Given the dominance of quantitative research in the field, it is not surprising that more is known about the variables that determine farm diversification than the reasons that lead to farm diversification, which requires a more qualitative focus.

More generally, Reinsch and Lynn (1990) and Naffziger et al. (1994) urge investigation into several aspects of small business diversification, including the reasons for diversifying. Naffziger et al. (1994, p.29) note that much of the early work around entrepreneurial innovation focussed on psychological characteristics that proved insufficient in identifying any unique characteristics of innovators. These authors also note the importance of the contribution by Gartner (1988) in highlighting the process of entrepreneurship rather than the personality characteristics of entrepreneurs. Gartner seeks to situate venture creation as an

outcome of the interaction of the environment, the individual, the organisation and entrepreneurial behaviour.

In terms of the motivational dimension of farm diversification, the area that has received the most coverage is farm tourism, which is defined by Murphy (1985) as working farms that complement primary agricultural production with tourism operations. Clark (1996) makes a distinction between tourism on farms and farm tourism, but few studies have made this distinction (an exception is Busby and Rendle 2000).

Nickerson et al. (2001) studied motivations for farm tourism, finding that those of a financial nature are the main reason, with social reasons such as meeting people, pursuing tourism as a hobby and educating visitors (the latter seen as an external influence, but best understood as a social reason) as important but secondary factors. The primacy of financial (or economic) motivations has been supported by other studies undertaken in the United Kingdom (Frater 1983; Hill and Busby 2002; Sharpley and Vass 2006), Canada (Weaver and Fennel 1997), New Zealand (Pearce 1990; Oppermann 1998; Hogg 2001), and elsewhere in the United States (McGehee and Kim 2004; Barbieri and Mahoney 2009). Ollenburg and Buckley (2007) studied the motivations for farmers to diversify into “farm tourism” operations in Australia. They found that the key motivations were: economic issues (namely, a means of income supplementation in the face of declines in agricultural revenue), the availability of spare rooms, the desire to educate people about farming, and lifestyle reasons (related to specific desires to engage in farm tourism). However, it is important not to reify the differences between economic and lifestyle issues. Indeed, Getz and Carlsen (2000) found that farm tourism operators in Western Australia do not maintain a firm distinction between economic and social goals, with financial interests often motivated by a desire to ensure that their lifestyle remained viable.

While the motivators underlying farm diversification are well established in the literature, the problem with these studies is that they only examine farmers who have made the decision to diversify. They do not examine those who have refrained from diversifying. Consequently, there is little understanding of how the rationale of farmers who choose to diversify differs from those who do not. If farmers, for example, choose to diversify for economic reasons, then why do other farmers not also diversify for the same reasons? Is it that they are not as economically disadvantaged? Is it that they do not require additional streams of income? The answer to such questions are pivotal to understanding the rationale underlying the decision of farmers to diversify, and so constitutes a major gap in the literature that requires addressing.

## **Research methods and procedures**

The need to understand why olive farmers undertake diversification warranted a qualitative approach – specifically, the use of semi-structured interviews. Crang (2002) remarks that qualitative methods have gained considerable acceptance in human geography such that papers are no longer required to be “prefaced with legitimations of qualitative work” (p.647). Nevertheless, the insights that can be gained from eliciting the views of people being studied are not well understood by many researchers, particularly its usefulness for designing effective quantitative research designs such as those employed in surveys.

In order to understand the factors that operators consider when deciding whether or not to diversify their farms, 33 olive growers were contacted, with 24 growers accepting an

interview. One operator was managed as a corporate entity and was not included in the results; thus, the total number of respondents was 23, a 69.7% response rate. All of the interviewees were located in and surrounding the shire of Gingin near Perth (Taylor and Burt 2007). Although the real size of the olive industry is difficult to estimate given the manner in which olives may be planted in association with other produce such as vineyards (Kailis and Harris 2004), in Western Australia there are an estimated 42 operators (Australian Bureau of Statistics 2008), and most of these are located in and around Gingin. There were 11 participants who were interviewed face-to-face at their homes and 12 by telephone. This mix of on-site and on-the-telephone data collection approaches obeyed to respondents' work and other commitments that did not allow them to meet with the researchers at specific times on-site, that is, on their farm or home. Instead, respondents who participated in the telephone interviews had requested to be contacted by telephone on days and at times when they were available. All interviews were undertaken between December 2007 and January 2008. The format of the interviews was semi-structured and the areas covered sought to answer the following questions:

- What is your business vision?
- What is the background / history of the operation? For instance, when were the olive trees planted? How many olive trees are planted?
- Is the operation open to the public? If yes, why? If not, why?
- If the operation is/was open to the public: In what ways is the operation open to the public, for example, through a cellar door, offering food / accommodation to visitors?
- What are the main difficulties that olive grower operations face?

As an exploratory study, the aim was to gain an insight into the issues surrounding expanding their operations to servicing the public, although during the course of the interviews more general issues concerning their operations were covered, and other matters related to diversification (such as olive farming itself being an add-on activity) came to light. Such open-ended examination is both normal and desired in exploratory research.

On average the interviews lasted 15 minutes. The interviews were recorded digitally and later transcribed. In accord with the exploratory nature of the project, an open coding approach was employed to identify emergent themes in the data (Strauss and Corbin 2007).

While not all respondents indicated the size of their olive groves in numbers of trees, or the age of their groves, it was however identified that olive growing is a very recent undertaking for most participants. For example, twelve olive growers (52.2%) had been involved in operating olive farms for less than ten years, and the oldest two operations were established as recently as in 1994. In addition, seven respondents (30.4%) had farms with only a few hundred trees, eight (34.8%) had farms between 1,100 and 3,000 trees, and three with over 20,000 trees. Responses indicated that six operators (26.1%) had their own processing plants or mills for pressing their harvested olives and produce olive oil, and with facilities for packaging bottles for distribution. Regarding the markets that operators distributed their products to, there was much variety, with several being involved in different strategies simultaneously. For example, two of the largest operations focused on the export market and also on on-site sales as well as in hospitality / retail outlets. Predominantly, however, the participating operations were selling their products at selected local retail outlets and restaurants, while nine sell on-site, that is, at the farm gate.

The degree to which operations were dedicated to olive farming varied, with 12 operations (52.2%) being diversified in combination with other agricultural production (such as wine production or cattle) and/or tourism accommodation (as in the case of three operators), while the rest focussed on olive farming. The commitment of participants to farming also varied, with 12 respondents (52.2%) being part-time farmers, including four who were semi-retired and 3 others (13%) who had jobs other than agriculture. In the following section, participants' comments are coded under the notion Grower 1 (G1), Grower 2 (G2) and so forth.

## Results

When asked whether they are open to the public, eleven respondents (47.8%) indicated that their businesses were (two of them were involved in rural accommodation and/or a winery and were not involved in on-site sales of olives or tours), while twelve (52.2%) said that they were not.

There were several factors that were seen to be important for operators deciding whether or not to diversify their operations to take account of on-site visitors. A summary of the findings is provided in Table 1.

**Table 1** Factors associated with decision to diversify into on-site selling

Farmers who open to the public	Farmers who do not open to the public
Olive production as primary activity	Olives not their primary product
Existing service facilities	Lack the capital to develop service facilities
Close to major travel routes	Not near major travel routes
Sufficient labor capacity	Do not reside on farm or have surplus labor
Perceived cost-effective marketing potential	Marketing costs seen as a constraint
Lifestyle lends itself to servicing visitors	Lifestyle not conducive to servicing visitors

Reasons for expanding into on-site selling were found to be similar to the reasons for diversifying into olive production to begin with, and into other areas such as tourism accommodation and farm tours. Although the main focus of the study is on diversification into on-site selling, the results pertaining to other forms of diversification will also be presented where relevant.

### **Market pressures**

The expansion of olive farms in recent years has introduced increasing local competition into the olive market, particularly as a result of large commercialised operations, and competition from overseas imports. This has placed increasing pressure on small operators. In this context, the potential to derive additional income from servicing visitors on-site is an option that nine growers (39.1%) have already chosen, and an additional four are considering in the future. One operator noted that the olive market was volatile due to the fluctuating prices of imports, which set the domestic growers back when prices dropped. The operator also noted risks in the form of the additional costs borne from marketing and distributing their product off-site:

*“We are finding that trying to market our product through a distributor is just pretty much a waste of our time and energy because we don’t earn anything out of it and we feel we would sooner... sell it directly to the public. Yes, we would be aiming to get as many visitors here as possible” (G1).*

For olive growers who make the decision to diversify to servicing visitors, the potential exists to also expand into other industries such as tourism or hospitality to take advantage of passers-by, or to cater to the growing niche tourism markets of gastronomic tourism (López and Martín 2006). This can include constructing cafes, restaurants and farm-stay accommodation, or conducting farm tours.

The squeezing out of operators as a result of increasing competition within markets also emerged as a reason for diversifying into olive production in the first place, that is, for those operators whose primary production focus was in another area. One wine operator who had diversified into olive production remarked:

*“The challenges probably to us are really the over-supply of grape product. In Australia, which obviously has its highs and lows every couple of years at the moment it’s high range; it’s picking, so there is so much on the market and the other side too is because there is so much out there people are undercutting” (G2).*

However, not all those who had diversified into olive production felt the need to service on-site visitors:

*“[A]lthough we have the odd person who calls to either want to pick olives or to come on to the property we don’t do anything like that because the main production on the farm is beef cattle. The olives is [sic] just a little bit of diversification” (G3)*

In this case the operator did not seem to possess existing facilities for catering to on-site selling, and given that olive production was not the major focus anyway, felt little need to diversify into marketing/sales activities. This issue leads to the next major factor identified as important – the existence of suitable facilities for servicing visitors.

### ***Existing facilities***

Growers who had other operations such as wine production and tourism accommodation that were already oriented towards on-site selling and visitation were more likely to set themselves up for on-site selling or tours. Among those operators who had made the decision to take risks and invested to extend their operations to take account of visitors, four operators (17.4% overall) were marketing their olives in conjunction with wine selling – an area that readily lends itself to on-site selling. One olive operator (G4) stated: *“Main reasons [sic] to be open to the public is to market our wines.”* For this same owner, the risks of such move had paid off:

*“When everybody started planting hundreds of acres [of olive trees] we decided that it wasn’t going to be viable because people were looking at producing terrific quantities of oil. So basically we grow them because we produce the oil and we also marinate the olives as well, basically to complement the wine so that if people are going to travel all this way we can offer them more than just wine.”*

Wineries are particularly appealing to passers-by and are also suited to setting up visitor tours and cafes that allow visitors to experience and interact with the product and its facilities. For those with wineries, the setting up of on-site facilities and tours for olives was either already



accomplished or constituted a less risky initiative. In this sense, olive tasting and tours added to on-site promotion, and in fact for these operators constituted the main reason for expanding into olive growing to begin with (as opposed to olive production alone).

### **Location**

The orientation towards servicing visitors was one that was related to the proximity of operators to main visitor routes. One operator who engaged in on-site selling remarked:

*“[W]e decided we had location-location. I mean, how many thousands of people pass our front gate every year, or every day I should say? So for us it gave me a chance to go to work and still be home. It gave us a chance to get rid of our olive oil because we had started this business” (G5).*

All operations open to the public are either on paved roads near highways or close to these (within five miles). Those close to major transport routes, particularly the main highway, are those that are most likely to benefit from on-site sales from passers-by, and it is not surprising that these operators have taken greater steps towards diversification by developing visitor services to supplement their olive production. Those located further away from the main visitor routes tended to see less opportunity for on-site sales to passers-by. One operator who was not open to the public felt that her farm was simply too isolated to attract visitors. *“You really need a fair bit of traffic flow for justifying it [being open to the public]. That’s why we haven’t gone down that path” (G6).* Another remarked that the decision not to be open to the public was *“Mainly because of our location” (G7)*, and another noted: *“No, it’s 22 kilometres of gravel road to get to our property!” (G8).* This operator’s focus was directed solely at export markets.

The issue of location was also relevant to expansion into agritourism activities such as tours and cafeterias. In terms of initial expansion into olive growing, location was not so relevant, except in cases where on-site selling or agritourism activities were the primary motive for diversifying into olive farming.

### **Labour capacity**

Another factor was whether the managers lived on or near the farms or had someone available to attend to visitors – an issue of staffing or labour capacity. Those residing far away from their farms felt that they were not in a position to manage on-site selling and tours, and those with limited financial resources felt that they could not afford to have staff attend the front gate. Two respondents (8.7%) for instance managed these problems by organising visits at restricted times or by appointment only. For example, an operator running a small family operation said, *“If you are there [at olive grove] and somebody comes in [i.e. a passerby] we have the facilities to sell it [the olives/olive oil] to them, but in general no” (G9).* As a two-person operation, these operators simply did not have the staff to service passers-by. As it is, they saw olive farming as *“very time consuming and labour intensive for very little return”*. For operators who were semi-retired or only part-time farmers, and lacked the capital to employ outside labour, servicing visitors was not a viable option. This is one of those factors that was most clearly illuminated from the responses of participants who had chosen not to diversify, as they were keenly aware of the struggle to have sufficient labour capacity for on-site selling.

### **Marketing costs**

For those operations currently not open to the public, and that are generally not able to benefit from passers-by, marketing costs or opportunities are an important factor. One operator for example was looking to open to the public in the long-term but pointed to marketing costs as an inhibitive (risk) factor in the short-term: *“At this point in time we are not planning on being open to the public because of the marketing costs, but down the track we might do” (G10)*. These operations were expanding rapidly, including the production of olive oil, which had quadrupled in the last year. The operators of these businesses had also joined a cooperative involving several other growers, and saw a possible expansion into tourism as a strategy that could be implemented with other growers, but unlikely to pursue on their own. Another olive grower, who had toured California and several South American regions to witness the popularity of olive industries to tourists, said:

*“Most olive growers here are [only] olive growers, and they don’t understand that if they encourage tourism that will boost their brand, that will consume some of their oils, it will help the region, it will have all these spin-offs to bed and breakfast, to the shops, to the restaurants... all of the things that we know about. So I am very interested in that...” (G11)*.

The same operator, who was particularly active in supporting visitors, and received coach tours, student groups and community groups, stated:

*“Way back when we started we were doing all these tours. We also have seminars here; in the last four years we have had 900 people doing table olive courses. One of the universities offers short courses to the general public and for the last three years we have run table olive courses with them. And it always has been oversubscribed... It’s church groups who want to raise money, it’s private people who love olive oil and want to give people olive oil for Christmas; all sorts. We have artists, Italians, Greeks, just everybody and anybody who come and they pick as much as they want and they pay us per kilo and they have fun and we have been doing that for years” (G11)*.

This respondent had been particularly active in promoting olive tourism, and unlike other operators, tended to view olive farming as intrinsically a tourism growth area rather than one that merely supplemented tourism activities. The operator was currently working with the local tourism industry in developing an olive tour map that linked together the different groves as part of a tourism route, including 23 olive growers and processors. The grower’s idea is to have a corresponding map that also includes other small and medium operations and local attractions that will allow visitors to select from available choices and activities. Other initiatives identified in this study include the creation of a cooperative among growers in Dongara and Geraldton with the idea to follow on what existing operations started years ago, that is, using olive tourism as a way to market their olive products and attract visitors to the area.

### **Lifestyle factors**

The interest that some operators had in the wider cultural value of olive growing, such as educating visitors and deriving enjoyment from their enterprise, alerted the researchers to the relevance of lifestyle factors. Indeed, three operators mentioned lifestyle as their long-term motivation for their business. This corresponded to the lifestyle ‘migration’ or ‘entrepreneurship’ presented in some studies (Swaffield and Fairweather 1998; Ateljevic and

Doorne 2000), where for instance it is argued that many semi-retired individuals seek perceived lifestyle benefits of rural living (Hall 2004, p. 176). On balance, however, the choice to innovate business practices to take advantage of passing tourists is more likely to be guided by commercial considerations rather than lifestyle reasons. Having said that, other lifestyle factors can have an impact on the decision to diversify by virtue of affecting yet another set of factors. For example, the issue of location or labour capacity is often tied to lifestyle issues as much as it is to financial considerations, such as the decision not to live on the farm or work extra hours. For a different operator (G12), the decision not to be open to the public is *“partly because we are not living on the farm,”* while another operator indicated:

*“We were set up to do on-site selling; we could arrange tour buses; we would have to do some work to get it to that stage, but do we really want to be there all the time? To do that we would have to be seven days a week on the farm and maybe you would sell 20 litres one day and nothing for the next five days. It’s not an option for us; it’s an option but not a choice” (G14).*

The recognition of servicing visitors as being a “choice” underscores the importance of lifestyle preferences related to diversification. Those who choose to diversify do so because it accords with their lifestyle needs and preferences, in contrast to those who do not who may not be interested in dedicating more time and labour to further activities.

## **Discussion**

Based on the interviews with operators, it can be seen that there are a number of factors identified that account for olive growers’ decision to cater to on-site visitors and extend operations to include tourism products such as site-tours, cafes and accommodation, in contrast to those who do not seek to diversify. Location is an important consideration. Those close to major transport routes, particularly the main highway, are those that are most likely to benefit from on-site sales from passers-by, and it is not surprising that these operators have taken greater steps towards diversification by developing tourism products to supplement their olive production.

However, even operators located away from the major highway and who were not producing wine could find value in opening their olive farms to the public if they saw the potential for visitors to make the effort to take scenic routes off the main highway. The case of the operator who had toured olive regions in the United States and South America and saw potential for developing an olive trail in the area is a prime example. This operator had taken the initiative of working with community groups and setting up an association focussed on promoting olive tourism in the region, including the concept of an olive farm trail. Unlike other operators, these sorts of operators do not necessarily make decisions using a cost-benefit rationality centred on immediate profits and losses, but on a long-term *vision* of what could be achieved through innovative planning and community partnerships. As pioneers it is they who take the greatest risk, but their success builds confidence in others that the risks are manageable. As champions in promoting tourism, they also create the material conditions that reduce the level of risk for others through the development of infrastructure, promotion tools and so on (Wilson et al. 2001).

If those seeking to establish olive tourism succeed in developing a vibrant 'olive route' that incorporates farms located away from the major highway, then it is possible that many of the smaller growers that are not currently considering opening to the public would reconsider. Those who had made the decision not to open to the public were doing so on a perceived cost-benefits assessment which, if otherwise demonstrated to be viable, might readily change in favour of increasing services to visitors if their lifestyle suited it. The increasing tightening of the market (as more farms are established) and a proven olive tourism model from pioneers leading the way would likely make this a much more attractive option to supplement traditional supply markets. The small growers seem particularly fearful of being squeezed out by a burgeoning olive industry, and diversifying the scope of their operations through a vibrant olive tourism industry might prove to be a turning point for operators otherwise reluctant. However, much like the manner in which niche markets develop from a saturated mainstream market and diversification develops from a saturated niche market, so too might olive tourism prove unviable if too many make the shift. Therefore, it is likely that only those with a competitive advantage (particularly those in close proximity to main tourism routes) will see the shift to diversification as viable.

The findings suggest that there needs to be a clear benefit for operators to extend their operations to other areas. Some threat to their viability in their primary market, and a perception that diversification presents a viable alternative, are the main factors that will motivate a shift towards other areas of operation, whether from other areas to olive production, or from olive production into other areas and activities such as servicing visitors. Indeed, the findings point to the way diversification occurs in a number of directions, which are determined by the opportunities and risks associated with expansion. From the initial focus on diversification into on-site selling, the findings ultimately revealed that diversification is part of a broader continuum of shifts taking place among operators – in some cases across production areas (such as from grape-growing to olives), in other cases to new services (such as farm tours and tourism accommodation). Diversification seemed to be synonymous with versatility and adaptation, with operators perceiving opportunities in different areas and assessing their resources for capitalising on these opportunities, but assessing on a move-by-move basis.

In light of these general findings, the work of T. W. Schultz (1975) is worth drawing on to place these factors in a wider theoretical context. Schultz defined entrepreneurship as "the ability to respond to disequilibria" (p. 827). The experience of disequilibria is common to many olive farmers due to economic pressures, but the risk of diversification is that it can increase disequilibria if it fails, just as much as it can achieve equilibrium if it succeeds. Schultz (1975) makes the point that the criterion to optimize under limitations people are confronted to is what governs their behaviour (p. 827). He also argues that modern agriculture is fraught with uncertainties due to a number of constraints that include estimating inputs against return, particularly because of changing technologies, markets or labour conditions. Furthermore, Schultz (1975) notes the different competencies of people "to perceive a given disequilibrium and to evaluate its attributes properly in determining whether it is worthwhile to act" (p. 834). If it is worthwhile, then "people respond by reallocating their resources" (p.834). These competencies are what Schultz grouped under the term 'human capital,' which includes attributes such as education, skills and experience. Hébert and Link (1989, p.46) note that the element of risk is not necessary for Schultz's model, because people are seen to respond to disequilibrium rather than uncertainty. Uncertainty, for Schultz (1975) seems to be an outcome of insufficient human capital. In his critique of the

equilibrium approach, Kirzner (1979) contends that the dynamic economy is in a permanent state of disequilibria, therefore every action is uncertain.

Keeping in mind Kirzner's qualification of Schultz's approach, it could be inferred that many olive growers in Gingin are feeling the pressure of a contracting market, which is leading them to consider reallocating their resources to diversify. However, such a reallocation involves a risk, and while properties of human capital such as experience and skills undoubtedly play a part in reducing the perceived level of risk, olive farmers also consider various other resources at hand when assessing their options. Such options include geo-spatial advantage, financial capital, and social capital (namely, networks with other operators and relevant industries). Those with facilities, access to main tourism routes and associated tourism products (e.g., wine produce, cafes and accommodation), and with sufficient financial capital and surplus labour, tend to have a greater willingness to diversify than others. Also, some operators were more proactive in their belief that they could foster market opportunities and create access to new markets through self-promotion and regional marketing. This aspect concerns their access to sufficient sources of social capital for promoting community-based initiatives such as tourism routes and reciprocal visitor marketing with tourism operators and local government authorities (Macbeth et al. 2004).

## **Conclusions**

The decision to complement agricultural production with olive production, or to supplement olive production with services oriented on-site selling and tourism activities, has been shown to be based on several factors. In the future, it would be useful to undertake quantitative research to test the relevance and strength of these factors, as the small sample and exploratory approach employed in this study did not lend itself to confirmatory analysis. On the other hand, the exploratory approach employed revealed the salience of factors that would not have been revealed through a quantitative approach and to this end the findings provide a guide to the design of future surveys.

One important finding is the importance of geographical location as a factor in diversification. While previous studies have noted the importance of proximity to scenic areas as a factor (Walford 2001) and to other tourism attractions (Fleischer and Tchetchik 2005), the micro-level positioning of individual plots near main tourism routes has not been highlighted (although was hinted at by Walmsley 2003). The results are suggestive that similar factors such as the natural scenic qualities of individual plots and the proximity of plots to other tourism operations are also relevant. In turn, this suggestion is consistent with the general finding that market opportunity and resource access are important factors in the diversification decision making process. A micro-level geographic information system analysis would be useful to confirm these and other neighbourhood effects.

The findings also point to the way that diversification is seen by operators to involve varying degrees of risk, which appears to be the pivotal factor in the decision to diversify. How much risk is involved is determined by their appraisal of economic conditions, their access to resources (including spatial proximity to tourism routes) and demonstrated success by others. Further qualitative research could focus on the way risks are conceptualised and assessed, with scenario modelling offering a promising approach to further unravelling the decision making process. Factors such as economic conditions, the level of association with local

authority and tourism services, and previous experience in on-site selling could be explored more fully through more targeted qualitative research.

Beyond risk conceptualisation and resource access, the findings also point to the relevance of lifestyle factors as distinct from 'rational' decision-making in a purely economic sense. Lifestyle factors were particularly apparent in the responses of those who chose not to diversify, where the clash with their living arrangements and level of personal commitment (in terms of time and effort) were readily highlighted.

The exploratory research outlined here will hopefully open the way for more extensive research on the differences between those who choose to diversify and those who do not. In this way, both sides of the decision making process concerning diversification can be more firmly understood.

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